

ORDER NO. 2526

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Acting Chairman;
Tony Hammond, Vice Chairman;
Mark Acton;
Ruth Y. Goldway; and
Nanci E. Langle

Competitive Product Prices
Priority Mail Contract 80 (MC2014-23)
Negotiated Service Agreement

Docket No. CP2014-38

ORDER APPROVING AMENDMENT TO
PRIORITY MAIL NEGOTIATED SERVICE AGREEMENT

(Issued June 3, 2015)

I. INTRODUCTION

The Postal Service seeks to amend a Priority Mail negotiated service agreement.¹ For the reasons discussed below, the Commission approves the Amendment.

¹ Notice of United States Postal Service of Amendment to Priority Mail Contract 80, with Portions Filed Under Seal, May 21, 2015 (Notice). The Amendment is an attachment to the Notice (Amendment).

In Order No. 2056, the Commission approved the Priority Mail Contract 80 negotiated service agreement (Existing Agreement).² On May 21, 2015, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement. On May 22, 2015, the Commission issued an order reopening this docket to consider the Amendment, appointing a Public Representative, and providing interested persons with an opportunity to comment.³

The Postal Service intends for the Amendment to become effective one business day after the date that the Commission completes its review of the Notice. Notice at 1. The Postal Service states that the Amendment does not materially affect cost coverage; therefore, the supporting financial documentation and certification originally filed in this docket remain applicable. *Id.*

II. COMMENTS

Comments were filed by the Public Representative.⁴ No other person submitted comments. The Public Representative reviewed the Existing Agreement and the Amendment. *Id.* at 2. Based on that review, she agrees with the Postal Service's assessment that the Amendment and its revision to the second year minimum volume commitment will not materially affect the cost coverage of the Existing Agreement. *Id.* The Public Representative therefore recommends that the Commission approve the Amendment to the Existing Agreement. *Id.*

² See Docket Nos. MC2014-23 and CP2014-38, Order Adding Priority Mail Contract 80 to the Competitive Product List, April 16, 2014 (Order No. 2056). The contract was later amended. See Order No. 2171, Order Approving Amendment to Priority Mail Negotiated Service Agreement, August 26, 2014.

³ Order No. 2499, Notice and Order Concerning Amendment to a Priority Mail Negotiated Service Agreement, May 22, 2015.

⁴ Public Representative Comments on Postal Service Notice of Amendment to Priority Mail Contract 80, May 28, 2015 (PR Comments).

III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, and the comments filed by the Public Representative.

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Amendment revises section I.C. of the Existing Agreement and requires the customer to submit a written list of permit numbers used for shipment of packages and only reported permit numbers will count toward the volume commitment. Notice, Attachment A at 1. In addition, section I.E. revises the total volume commitment for the customer during the remaining years of the Existing Agreement. *Id.*

The Commission agrees with the Public Representative and concludes that the Amendment does not materially affect the underlying financial analysis of the Existing Agreement. Thus, the Commission finds that the Existing Agreement, as amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

Other considerations. The Postal Service states that the Amendment shall become effective on the day after the date that the Commission completes its review and does not alter the expiration date of the Existing Agreement.

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as amended.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the Priority Mail Contract 80 negotiated service agreement, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.

By the Commission.

Ruth Ann Abrams
Acting Secretary